

Brazil under Lula: the social challenge¹

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Luis Inácio “Lula” da Silva won the Brazilian presidency in 2002 with a landslide, with a campaign based on the promise to rescue the country from the neoliberal policies of the Cardoso government. According to the Workers Party (PT) government program,

The growth of unemployment and the instability of employment, the stagnation of income levels and its bad distribution, the concentration of property and the rising costs of public services describe the situation of social exclusion produced by the liberal policies that has to be redressed. The broad aim of our program is to reduce these disequilibria, making the social the axis of our development model. The priorities in the new model will be (a) growth of employment; (b) income generation and redistribution; (c) expansion of social infrastructure. (Partido dos Trabalhadores 2002 p. 20) (author’s translation).

The notion that the Cardoso government has “abandoned the social” while trying to follow the neoliberal agenda, was widely accepted not only by the public opinion, but also among the elites. In a survey done in 2002, 72% of an elite sample considered that the Cardoso government had been successful in stabilizing of the economy, but only 18% agreed that it had succeeded in reducing poverty and social inequity. Among intellectuals, only 13% agreed; among union leaders, just 3% (Lamounier and Souza 2002). It is not that the previous years had been much better: only 17% thought that previous governments had had any success in the social area since 1930, with a slightly better image of governments after 1985 (24%).

In fact, both the income and the living conditions of the Brazilian population improved during the 1990s, in spite of the poor performance of the economy, as can be seen in Figure 1 and Figure 2. Real income grew both at the top and at the bottom

¹ Some sections and in this paper draws from the author’s previous texts, including (Schwartzman 2000; Reis and Schwartzman 2002; Schwartzman forthcoming).

of the pyramid, there was a slight reduction on income inequality, life expectancy improved, infant mortality went down, and access to public services and household goods increased².

Figure 1 - Evolution of income, 1992-1999

Evolution of income, 1992-1999		1992	1999
a) mean income of the 40% poorest (reais of 1999)		95.38	127.27
b) mean income of the 40% poorest (in minimum wages)		0.70	0.94
c) mean income of the 10% richest (reais of 1999)		1,812.25	2,397.07
d) mean income of the 10% richest (in minimum wages)		13.33	17.63
c/a		19.00	18.83
Gini index of inequality		0.571	0.567
Monthly income of all work for persons 10 years and higher. Source: IBGE 2001, tables 4.15 and 4.16			

Figure 2 - Changes in social conditions, 1992-2001

Social conditions, 1992-2001		1992	1995	1999	2001
I - Persons					
Life expectancy	men	62.4		64.6	65.1
	women		70.1	72.3	72.9
infant mortality	per thousand	43.0		34.6	
cannot read or write	15 years or more	17.2	15.6	12.9	12.4
II - Households					
Water from public mains		68.1%	71.1%	76.0%	77.6%
Public sewage system		46.1%	48.1%	52.8%	59.2%
Color TV		46.7%	60.9%	79.7%	83.0%
Fixed phone		18.9%	22.3%	37.5%	51.0%
Cell phone					31.0%
Source: IBGE: National Household surveys 1992 and 2001, and mortality tables					

It is difficult to establish how much of these changes can be attributed to specific policies, or are the result of long term trends. Life expectancy and infant mortality have been improving for a long period, access to public services is related to long-term growth in urbanization, and access to household goods are related to their growing availability and lower relative prices. Still, the economic stabilization of 1994-5 has led to significant improvements in absolute and relative income levels of the poorest segments, some of which have been eroded in the ensuing years; and the opening of the economy to international competition, together with the privatization

² The Brazilian National Household Survey (PNAD), done yearly by the National Institute for Geography and Statistics (IBGE), with a sample of about 100 thousand households, is Brazil's main source of socioeconomic information. Unless specified otherwise, the PNAD data presented in this text are from the author's special tabulations.

of telecommunications, brought telephones, TV and other household appliances to the reach of large groups.

To say that that social conditions have not deteriorated is not the same as to say that they are good. According to the 2001 Household survey, there were 25 million people living in Brazil with a family per capita income³ of 40 reais or less (a little more than a dollar a day), and another 16 million with incomes between 40 and 60 reais (two dollars). What is the meaning of these figures, in terms of the living conditions of the population? Is it true that low income Brazilians are indigent and do not have what to eat?

There are no systematic and reliable statistics about the nutrition standards of the Brazilian population (Leal and Bittencourt 1997), and the findings of localized studies do not confirm widespread prevalence of undernourishment and food deprivation (for instance Burlandy and Anjos 2001; Capelli and Koifman 2001; Veiga and Burlandy 2001; Otero, Rozenfeld, Gadelha, and al. 2002). Nutrition estimates based on income data are too indirect and based in too many assumptions to be taken literally. Attempts to use them to define the country's "poverty line" are always arbitrary (Schwartzman 1997; Rocha 2000); and the data on consumption patterns and life standards of the poorest fifth of the population are not compatible with a situation of widespread deprivation (Figure 3). Still, infant mortality remains unacceptably high, living conditions for many families are appalling, education levels are far from satisfactory, and it is difficult to get a job and earn a regular salary. Criminality has been increasing dramatically in the country's main cities, with great visibility in the national and international mass media. And there is a growing feeling, in public opinion, that social deprivation and exclusion are unacceptable situations, which could be improved with appropriate policies.

³ This figure is obtained by dividing the total income of all members of the household by the number of persons of all ages in the household.

Figure 3 - Living conditions of Brazilian families, 2001

	Living conditions of Brazilian families, 2001					Total
	Income quintiles (I=lowest)					
	I	II	III	IV	V	
number of households	8,954,023	9,072,075	8,844,024	8,954,150	8,956,049	44,780,321
persons per household	4.9	4.0	3.3	3.2	2.9	3.6
monthly income per capita (reais)	29.98	84.29	152.08	269.31	970.79	290.88
Percentage that						
live in rural areas	31.4	18.2	13.9	7.6	3.3	14.8
has house with brick walls	79.7	85.7	87.1	90.6	96.3	87.9
own the house	69.7	68.8	68.7	67.5	67.4	68.4
has tap water	65.0	85.0	90.8	96.8	99.2	87.4
has a refrigerator	60.9	83.5	88.2	95.4	98.5	85.3
has a color TV	60.4	80.5	84.0	93.1	97.9	83.2
has public garbage collection	52.4	70.9	78.0	86.2	90.2	75.6
has conventional phone	15.9	35.2	48.3	68.7	87.4	51.2
has washing machine	7.1	17.0	27.1	45.5	70.6	33.5

Source: PNAD 2001

The historical heritage

The improvements in the nineties were real but meager, and the “social debt” inherited by Cardoso and passed on to Lula’s government was high, in terms of poverty, lack of education, poor health, and limited access to the benefits of a modern social welfare. Poverty and social inequity dates back from the way society was organized since colonial times, with an economy based on plantations and slave labor, and continued through the process of “conservative modernization” that started in earnest in the 1930s, creating a modern economy and society whose benefits did not reach the whole population.

Brazil was very late in creating some kind of welfare state for its population, through public education, legislation preventing extreme forms of labor exploitation, and a system of social security and health care. The first rudiments of social legislation date from the early 20th century (Gomes 1979), but it is only in the 1930s that the organization of some kind of welfare state entered in the country’s political agenda. The main components of this early welfare state were the labor legislation, which allowed for the creation of trade unions under the oversight of the Minister of Labor (Schmitter 1968; Rodrigues 1974); several social security institutes for workers in different sectors of the economy (industry, commerce, banking, transportation, the military and civil servants), to provide retirement benefits, pensions and health care (Malloy 1979); and, to a much lesser degree, public education, which remained under the responsibility of state and local governments, under federal government supervision (Schwartzman, Bomeny, and Costa 2000).

The expansion of the economy, which reached impressive rates between the Second World War and the late 1970s, led to a gradual incorporation of the rural and poor population into the modern economy, but not into the full benefits of a modern

welfare state. In the mid-1980s, Edmar Bacha and Herbert Klein edited a book with an overview of social development in Brazil, with the suggestive title of “the incomplete transition” (Bacha and Klein 1986; Bacha and Klein 1989). Vilmar Faria, writing on the changes in employment and occupation, showed how Brazil had become an urban and industrial society, with a steady growth of the services sector and a large number of “informal” urban workers (Faria 1986); Thomas Merrick looked at demographic changes, and identified the gradual reduction of fecundity rates, improvements in life expectation, and a growing presence of women in the labor force (Merrick 1986); David Goodman looked at the changes in the countryside, and noted how agribusiness was creating a new rural proletariat, while keeping and even expanding the historical concentration of land ownership (Goodman 1986); Cláudio de Moura Castro and William McGreevey looked at education and public health, and showed how, in spite of extensive improvements in coverage, large segments of the population remained outside the benefits of these elementary social rights (Castro 1986; McGreevey, Piola, and Vianna 1986); Maurício Coutinho and Cláudio Salm looked at social security, and pointed to the financial crisis which was already looming, leading to growing deficits created by the lack of correspondence between resources and the social benefits the system was supposed to provide (Coutinho and Salm 1986); and Helga Hoffmann showed how the poverty indicators improved in the 1970s, but not enough to reduce income inequality and the regional imbalances (Hoffmann 1986).

In their overview, Bacha and Klein compared Brazil with several countries in Asia, showing how Brazil performed better than many in terms of industrial development and economic growth, but lagged behind in the social sphere. These differences, they argued, cannot be attributed to the country’s size, or to the historical heritage of poverty and slavery, or to the opening and dependency of the economy to the international market, or to the characteristics of the political system. Other countries, with similar conditions, did much better. The only explanation, for them, was that Brazilian decision-makers did not take the appropriate measures to reduce the social gap, in periods where sustained economic growth would have allowed them to do so. This answer is unsatisfactory, since it begs the question of why Brazilian governments choose not to do it; but, at the same time, it points to the fact that there are more degrees of freedom for the implementation of social policies than what is usually thought. The notion that the reduction of social inequity requires immediate action, and should not wait for economic development to occur, became dominant after the nineties (Henriques 2000).

By the mid-eighties, economic growth had stopped, the military were proceeding with their strategic retreat from public life, and Brazil plunged into a paradoxical period of democratization, political freedom, raising aspirations, and economic and administrative chaos. With no other concerns beyond its own survival, after the failure of the “Cruzado” plan for monetary stabilization and the default on the external debt, the José Sarney government printed money to attend all the demands of organized interests, while sophisticated monetary correction devices kept rents of upper and middle sectors from deteriorating, and put a premium on financial speculation. By the end of the 1990s, 1980s inflation was running at 2,500% a year, public service was completely paralyzed, long-term investments have ceased to exist. However, Brazil had a brand-new Constitution, enshrining all the good principles of political freedom and social rights. If the entitlements and rights consecrated in the Constitution were to be implemented, social policies would continue and be extended to the whole population. Inflation, however, and the dismantling of public administration was a reminder that this road was being closed, and a new generation of social reforms had to be devised.

In 1990, Fernando Collor de Mello became the first President to be elected in Brazil by popular vote since 1960, bringing an image of youth, renovation and anti-corruption. His policies, which ended up in disaster two years later, were to stabilize the currency at any price, by freezing the bank assets of the population; to lower tariff and non-tariff protection to local industries; and to dismantle the public administration, through across-the-board dismissals and budget cuts.

The opening of the Brazilian economy to international competition had important impacts in giving to the population better access to consumer goods (including food, better cars, personal computers and household appliances). Economic stabilization, however, required long-term policies that Collor did not have the inclination or the competence to implement, and the exposure of his corrupt practices led to his impeachment in 1992, the first time a Brazilian President was deposed under popular pressure, and by legal means.

Collor's impeachment was the most dramatic episode in a long sequence of actions and decisions aimed to reduce the high levels of corruption in the Brazilian public sector, a direct consequence of an open press and the strengthening of the judiciary system in those years. Other episodes included the dismantling, in 1993, of the gang of politicians that controlled the budgetary process in Congress; the impeachment and arrest of judges and politicians involved in authorizing resources for public works that ended up as deposits in their accounts in Switzerland or the Cayman

Islands; the impeachment of the President of the Brazilian Senate; and the closure of agencies such as SUDAM and SUDENE, well-known sources of political patronage and corruption.

Corrupt behavior among politicians and civil servants are just one aspect of a broader pattern of financial disorganization and inflationary practices that prevailed in Brazil until recently, and still remain in many sectors. With public accounts and expenditures out of control, the distinctions between corruption, patronage and sheer inefficiency are academic at best. From this point of view, the control of extreme forms of public corruption that started with the impeachment of Collor in 1992 can be seen as part of an effort to bring balance, control and transparency in the use of public resources, which was, arguably, the most important achievement of the Fernando Henrique Cardoso's eight years of governance, 1995-2002.

Three generations of social policies

As we look at changes in social policies in recent years, It is useful to think on them in terms of three “generations”, or waves, which correspond also to different approaches and concerns. The first generation deals mainly with social rights and the expansion of social benefits, in such areas as public education, labor rights, retirement benefits and health care. In early stages, these policies do not cost much, and the taxes created to pay for them can be used for political patronage and other goals. Second-generation reforms occur when rules have to be changed to control runaway costs and correct for major distortions. Third-generation reforms are those that try to change the very assumptions of the institutions established in the first-generation, and adjusted in the second ones. They vary from one area to another, but they share some common traits: the movement from centralized, rigid and uniform bureaucracies to flexible structures, allowing for creativity, initiative and technical competence to flourish and develop at the grassroots; the establishment of standards and targets to be achieved; sophisticated computer-based assessment and follow-up procedures, to make sure that services are adequate, and costs are as expected; control and oversight through the evaluation of products, rather than processes. Privatization, that is, the transfer of services provision from public institutions to private providers, may be one way of doing this, but is by no means the only one. It is possible to have autonomous,

competent and responsive providers in the public sector, if they are subject to adequate rules of mechanisms of delegation, accountability and quality control.⁴

Education is a good example, It has expanded to cover most of the population through first-generation reforms, and issues of equity and financial adjustments have entered the agenda. However, students are not learning as they should, and it is necessary to think deeper on the ways to reform the educational institutions to make them able to overcome their limitations; third-generation reforms are needed to strength the decision making power of school principals, and to create the right system of incentives to induce them to look for results. School vouchers is one possibility, but there are others. Another example is criminality: it is clear that the expansion of police organizations and the construction of new prisons are not enough to contain the growth of urban violence, requiring a different understanding of the causes of urban criminality and the proper roles of public institutions in dealing with them.

The Brazilian Constitution of 1988 can be considered the culmination and turning point of first-generation reforms. In its 232 articles and 73 “provisional dispositions”, it established a large and very detailed array of social rights, including free education, free health care, retirement benefits, and labor rights, as well the specific institutional arrangements to implement them. The Cardoso government dealt mostly with second-generation reforms, having to adjust the wide constitutional wish list to the country’s financial and institutional reality. These were mostly legal reforms, and implied difficult political negotiations, not always successful, to change

⁴ Nancy Birdsall has proposed a classification of four-stage generation of social policies in Latin America. The first corresponds to the “golden years” of Latin American economic development, from Second World War to the mid seventies; social policy was conceived as part of the economic development strategy, and consisted mostly of subsidies for goods and services, benefitting the middle classes. The second period corresponded to the troubled 1980s, when “social policy went underground”, with strong budgetary costs whenever possible. The third stage started in the middle and late eighties, with the realization that economic adjustment policies were not producing the desired results; “the policy solution was the introduction of compensatory policies through the implementation of safety net programs, including social emergency and social investment funds (which became favored programs for support by the multilateral banks). In the face of continuing fiscal pressures the approach became one of targeting resources to the poor, that is allocating limited budget resources in order to obtain the largest possible poverty reduction per peso spent”.The fourth and current phasis is described as “essentially focused on programs to address the needs and increase the human capital of the currently poor”(Birdsall and Szekely 2003).Still another, three-stage classification was proposed for Brazil by Augusto de Franco: a first generation of centralized intervention by the central state, of the early eighties; a second generation of universal policies oriented and financed by the central state, but with decentralized implementation, after the 1988 Constitution; and a third generation described as “políticas multi e intersetoriais de desenvolvimento social, de investimento em ativos (nas potencialidades já existentes em setores e localidades) e não apenas de gasto estatal para satisfazer necessidades setoriais”, very similar, therefore to Birdsall’s fourth generation (Franco 2003).

and simplify the Constitution. At the same time, it was necessary to continue with first-generation reforms, extending existing benefits to other groups, and responding to the demands of new social groups, with new agendas.

The Cardoso period: advances in the economy, but institutional immobility.

Bolivar Lamounier and Rubens Figueiredo edited a comprehensive balance of the Cardoso era, with 18 chapters written by well-known journalists, dealing with all aspects of the period (Lamounier and Figueiredo 2002). It is a mixed picture, combining important such as economic stabilization (Nassif 2002a); clear failures, as in the area of urban violence (Godoy 2002); and controversial results, as in the area of agrarian reform (Malin 2002). The book also reveals one of the most important limitations of the period, the almost total inability to change Brazil's administrative and legal institutions, which would be a precondition for deeper and lasting social reforms.⁵

The Cardoso period started, in practice, in 1994, the year before his investiture, with the success of the “Real” plan of economic stabilization, which he led as the Minister of the Economy. Less visible, but probably more important, were the efforts to turn off the valves of irresponsible spending that fueled not only inflation, but the whole workings of Brazil's political system. Achievements in this area include the closure of the state banks, the renegotiation and control of the public debt of states and municipalities, the privatization of large, inefficient, and wasteful public companies, and the new law of fiscal responsibility for governments at all levels. Important administrative and management reforms were required and implemented, starting with the strengthening of the Central Bank, and the production of reliable and transparent public statistics and indicators on the revenues and expenditures of the public sector.

Compared with these achievements, advances in the social area were relatively minor. Whenever possible, the government tried to continue with first-generation policies, which have the advantage of bringing more benefits to more people without affecting the interests of anyone, combined, if possible, with attempts at redistribution and rationalization. Most efforts at second-generation reforms were blocked by opposition parties, or not pushed with enough determination by the executive branch. Not many third-generation reforms were proposed, largely because of the absence of

⁵ For some of the achievements in the period, however, see (Ministério do Planejamento Orçamento e Gestão 2002)

a clear design for administrative reform, which would be a precondition for other initiatives.

The last attempt to promote a major administrative reform in Brazil occurred in 1967, with a decision to divide the public service into a central core, responsible for policy formulation and oversight, manned by career civil servants, and executive agencies organized with the flexibility and autonomy of private institutions. This reform was accompanied by a task force which combed the rules and regulations of the public service to simplify or eliminate bureaucratic procedures and rituals in the relationships between governments and citizens. This reform was never fully implemented, but introduced some degrees of flexibility in the public administration, and pointed the direction to go (Beltrão 1982; Oliveira 1984). The 1988 Constitution, pressed by the lobby of the civil servants' unions, granted civil service status to almost everybody working as public employees, and made it almost impossible for decision-makers to run their institutions as efficient and goal oriented entities, while increasing their costs. Cardoso's Ministry of Administrative Reform, headed at first by the well-known economist Luis Bresser Pereira, had to deal with these two issues at the same time, cost and efficiency. On hindsight, it is clear that the first got support from the central administration, while the second did not (Pereira and Spink 1999; Bressan 2002). At the end, the government succeeded in bringing back some flexibility on personnel management with a Constitutional amendment passed in 1998, to be applied mostly to future hires; and took some steps in the direction of establishing a central core of civil service careers, enjoying special benefits, while the salaries of the bulk of the civil servants were left to stagnate. The major novelty in this period was probably the creation of regulatory agencies to oversee the provision of energy, telecommunications and oil production and refinery, after privatization (Frischtak 1995). The adequacy of these agencies for their task, and the way their members were appointed, are still subject to question.

Another important failure of the period was the inability to reform Brazil's judicial system, which would be a truly third-generation reform. Here again, the 1988 Constitution was very generous, granting a wide range of civil, political and social rights to citizens, to be cared for by a very complex system of federal and regional courts, together with a parallel Labor Court; and creating a powerful, autonomous Public Ministry to work as a institutional ombudsman, entitled to investigate and prosecute the government at all levels if necessary, on behalf of the legal order, democracy and the citizen's social and individual rights. In practice, access to justice in Brazil is very expensive, and difficult for the common citizen to reach. While sentences can take years to be issued, remedial decisions can be swift and done at the

discretion of lower judges, regardless of the jurisprudence established by the upper courts. This system of diffuse authority of local judges, who are free to apply their own interpretation of the Law, has been defended as a democratic asset against eventual authoritarian tendencies of higher courts, but has been a major roadblock in the implementation of second-generation policies, creating a situation of permanent legal uncertainty, generating high costs for the economy and thwarting attempts at more advanced institutional reforms (Koerner 1998; Lima 1999; Pinheiro 2000; Sadek 2001).

Lula's dilemma: hunger or poverty?

Lula started his mandate announcing an ambitious “program against hunger”, followed by the symbolic gesture of taking all his ministers to one of Brazil’s poorest towns, to mark his commitment with those who have been excluded from the benefits of the economic policies of the previous years. As it turned out, his government did not have a clear picture of the hunger situation in Brazil, and, at this writing, the program is immersed in controversy and is still trying to find its way.

A multi-lingual leaflet published by the coordination of “Fome Zero” in the state of Piaui shows the ambitions of the program. It includes seven “structural policies”, two “specific policies” and ten “local policies”, besides six “methodological processes”. The “structural policies” deals with all phases of a persons’ life, including pre-natal care, support for breast feeding, delivery of school lunches, training teachers on good nutrition habits, supporting the production of rice, corn, beans, manioc, vegetables and fruits, organizing the distribution and commercialization of foodstuffs, and empowering the population to participate in the definition and implementation of the Program. An article published on April 20, 2003 by José Graziano da Silva, Minister in charge of the program, announced the main activities thus far, in two of the poorest towns of Piaui: a thousand families receiving 50 reais a month (US\$ 16) to buy food, 600 hundred adults and youngsters in literary programs, several hundred wells being constructed, and 400 identity documents issued (Silva 2003)

The issues around the “program against hunger” are emblematic of the dilemmas facing the new government in the social sphere. During the electoral campaign, and throughout its recent history, the PT party has based its proposals for social policy on two main components, the expansion of public expenditures and the political mobilization, or empowerment of social groups to defend and take care of their own interests. The first component was based on the notion that, instead of trying to balance the budget and contain inflation by cutting expenses, Brazil should make the economy to grow again by raising the minimum wage, extending the social

security benefits, investing more on public services, developing industrial policies for the production of goods for popular markets, providing cheap loans for housing construction, and so forth (for instance Medeiros 2002). The other component was political: the program against hunger was not to be just a mechanism to bring food, money or other resources to the poor; it should be also a way to get society involved, to build a new kind of grassroots, direct democracy that would replace the failed institutions of formal democracy that were part and parcel of the exclusionary society that had to be changed at its core. The same should apply to other social spheres, like agrarian reform and education. Combined, these two components provided the PT with extraordinary political appeal as an opposition party: all sectors of society - civil servants and landless workers, university students and illiterates, national entrepreneurs and trade unions, scientists and artists – were promised more resources, more rights, and the power to control the sectors of the public administration that dealt with their interests.

The first component, increased social spending., was swiftly rejected by Lula's economic policy makers, under the argument that the country was facing an emergency situation requiring conservative policies that could be reverted later, as economic stability and growth started again. In that sense, Lula's policies are indistinguishable from those of Cardoso's, who also expected social spending to increase as the economy would allow it.

As a compensation for economic orthodoxy, the government multiplied the number of ministries and secretaries dealing with social issues, and distributed them among militants of social movements and organizations that supported the party in its campaign - sometimes the Minister himself, sometimes the holders of second and third-level offices⁶. The extreme example is probably the Ministry of Agrarian Reform, which was given to persons sympathetic or associated with the Movement of Landless Workers, who have vowed to continue its tactics of invading private lands to force the government to give them to their militants.

It may be true that, as grassroots leaders, some of these new incumbents would be well placed to implement policies that had not been implemented before, for lack of commitment of previous incumbents. But is also true that these leaders have made

⁶ There are about 30 Ministries and ministry-level secretaries in the Lula government – the largest ever – several of which in the social area, including an Extraordinary Minister for Nutrition Security and Fight Against Hunger; a Special Secretary for the Council of Social and Economic Development; a Minister for Social Assistance and Social Promotion; a Ministry of Cities; a Minister for Agrarian Development; a Minister for Social Security; a Minister for Labor and Employment; and a Secretary for Human Rights.

their careers by striving for first-generation policies, of expanding social benefits, and have gained prestige by opposing second and third-generation reforms, labeled as neoliberal, and inspired by the International Monetary Fund, the World Bank and the Washington consensus; and this may conflict with the efforts of the new government to bring more efficiency, rationality and social equity to the country's social policies.

There is another approach to the problems of poverty, however, which has been developed for several years by economists in institutions like the Institute of Applied Economics Research in Rio de Janeiro (IPEA), Fundação Getúlio Vargas, and the Institute for Studies of Labor and Society (IETS) in Rio de Janeiro, among other places, including the Word Bank and the Inter American Development Bank⁷. Their work is based on extensive and detailed econometric analysis of census, household surveys and other empirical data, and international comparisons of Brazil's social conditions with that of other countries with similar or equivalent levels of economic development. Their main contention is that it is necessary, and not too expensive, to introduce policies to redistribute resources to the poorest segments of the population, by providing direct subsidies and changing priorities in the existing social programs, without waiting for the economy to grow; and to introduce new policies to improve education and stimulate productive activities among the poor, making the labor market more flexible, introducing micro-credit, and recognizing the economic value of their assets. These proposals are congenial with the projects of minimum income such as the one heralded by PT senator Eduardo Suplicy (Suplicy 1988).

These ideas entered some policy documents produced during the 2002 presidential campaign (Instituto de Estudos do Trabalho e Sociedade and Urani 2002; Lisboa 2002), and appear in a document published by Brazil's Ministry of Economics outlining a long-term view of the country's economic and social policy strategy (Ministério da Fazenda 2003). In the social sphere, the first priority was the reform of social security; second, to increase the coordination and efficacy of public policies, to improve the country's income distribution; third, to change the focus of social spending, to eliminate redundancies and direct it to the poorest segments of society. The document contained also several suggestions about the need to reform the credit system, to reduce the informality of the labor market, and to stimulate education.

⁷ Among them Ricardo Paes e Barros, José Márcio Camargo, Marcelo Neri, Francisco Ferreira, André Urani and Ricardo Henriques. A collection of articles on this line have been put together in an influential book edited by Ricardo Henriques (Henriques 2000)

This document was received by a vicious attack on its authors by a senior PT party economist, Maria da Conceição Tavares, in an newspaper interview (Athias 2003), followed by other articles in the press, reflecting the dissatisfaction of some party sectors regarding the government's economic and social policies. In essence, Tavares criticized the document because it stated that Brazil's economic difficulties were due to mismanagement and the deficit of the public sector, not to external constraints; and because it proposed that social policies should be focused on those with the direst needs, instead of being universal.

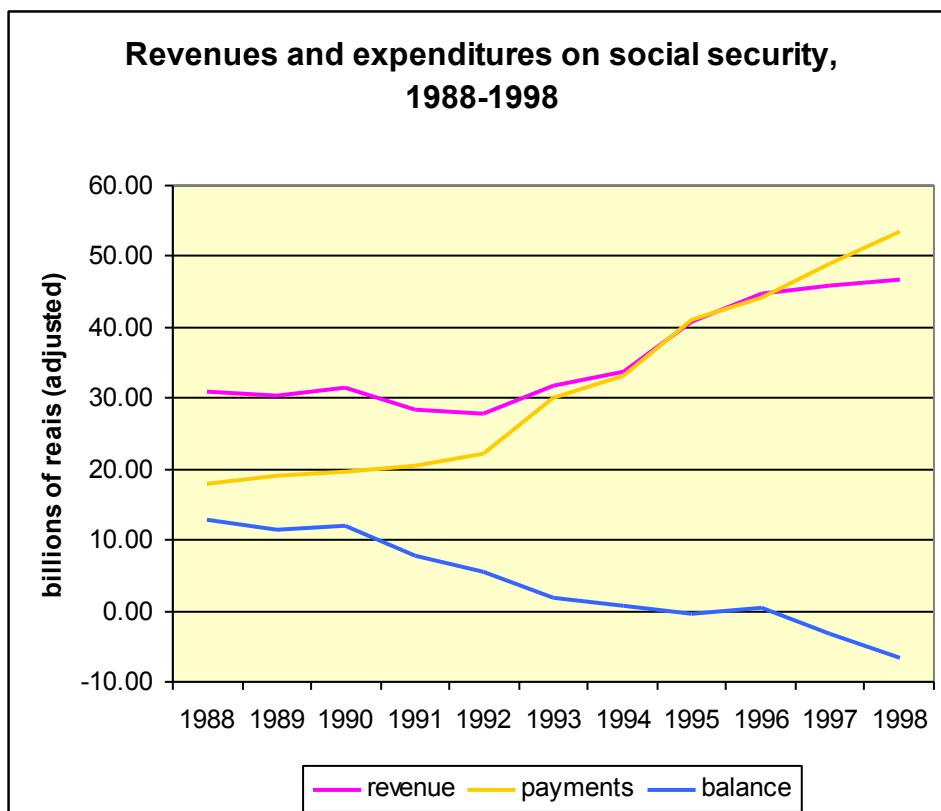
Her perception that these new policies meant a radical departure from the Party's traditional stand, of supporting only first-generation reforms, was certainly accurate. At this time, the government had already sent its first major proposal of social reform to the National Congress, on social security. Other issues were still not getting first priority, but were already being debated, and entering the agenda. In the following, we will take a closer look at some of them, before advancing a general conclusion.

Social security

After “zero hunger”, reflecting the traditional PT approach to social policy, the first social policy reform proposed by the Lula government was of social security, because of its direct impact on federal and state budgets. In the past, when the system was introduced, the population was younger, life expectation was lower, employers and employees contributed to social security with significant amounts, and benefits were granted according to previous contributions. Thus, social security generated constant surpluses, and was an important financial and political asset for the government. From the beginning, it was, and still is, a partition, or “pay-as-you-go” system, in which there is no individual capitalization of contributions; revenues and payments are not linked to an independent fund, but treated as part of the government's general revenues and expenditures. Already in 1966, the old system of separate institutes had been eliminated, and small retirement benefits started to be provided to rural dwellers that reached certain age, independently of their previous contributions. The 1988 Constitution doubled this benefit (from half to one minimum wage), extended it to all persons beyond 70, and lowered the minimum age and

working time requirements for urban and rural workers wishing to retire⁸. These benefits lead to a growing deficit in the social security accounts, which, until then, had provided a permanent surplus (Figure 4). This deficit was made much worse by the special benefits given to military and civil servants, entitled to early retirement with full salary, and other privileges. Detailed financial and actuarial studies demonstrate that this system is untenable in the long term, the major cause of public account deficits for the federal and state budgets, and extremely inequitable (Oliveira, Beltrão, and Ferreira 1997; Ornelas 1999; Giambiagi 2002). By 2002, social security was using up 4.7% of the gross national product, 42% of the federal revenues, and 62% of social expenditures; the combined deficit of the public and private systems was above 54 billion reais, or 4.2% of GNP, and growing (Ministério da Fazenda 2003).

Figure 4 - Revenues and expenditures on social security, 1988-1998⁹



A successful reform of social security would go a long way in improving the public finances of federal and state administrations, and provide resources for social

⁸ According to the Constitution, men in the countryside can retire by age at 60, and women, at 55. In the urban areas, retirement ages are 65 and 60. However, men can also retire if they contribute for social security for thirty five years, and women, 30, at any age. Some categories, like teachers, can retire after 25 years of work, regardless of age.

⁹ Source: (Nassif 2002b), table 1, p. 570.

programs aimed at the poorer segments. The Cardoso government tried several second-generation proposals to reduce the benefits of some sectors, increase the contribution of others, extend the periods of active work, and put a ceiling on the benefits of civil servants and military personnel. Some of these proposals were blocked in the Congress, others by the Courts. A few changes were introduced, but minor ones, which did not change the overall situation.

The proposals of the Lula government, so far, are limited to the public sector, and are similar to the ones tried by the previous government. They would limit the future benefits of civil servants and the military, and ask those already retired to pay some taxes; they would increase the minimum retirement age; in the long run, they would unify the two existing systems, for the private sector and for the public one, into one. If Congress approves this reform, it would be an important manifestation of the governments' commitment with budget reform and political strength, but would not change the situation very much. Except for the tax, which is likely to be rebuffed again by the Courts, no changes will affect the current pensioners, and will only have effects in the future. If the benefits of civil servants are reduced, this would make the system less inequitable, but would not mean more resources for the poorest pensioners. Although the deficit created by the retirements of the public sector is the highest today, projections about the growing costs of the private system show that they are completely untenable on the long run.

A third-generation reform should lead to the transformation of the partition into a capitalization system, with a lower ceiling for retirements in the public sector (which is currently about eight minimum wages, around five hundred dollars a month), and a substantial segment of private retirement funds for the upper income brackets. This would require large resources to pay for the transition, and a whole new structure to care for the financial management of these funds. It would also require important changes in the labor laws, to bring millions out of the "informal" labor market, and make them to contribute to social security. Specialists have been studying the experiences of countries like Chile, Argentina and Mexico, which have implemented such reforms, but no government, in Brazil, has tried to bring them to the political agenda.

Education

Lack of education is consistently appointed as the main determinant of low income and income inequality by analysts of all persuasions, and there were strong expectations about the new governments' commitment to give it a very high priority.

In the past, the Ministry of Education used to be treated by governments as a political bargaining chip, to be exchanged with political parties for political support. In the Cardoso period, the ministry was run by an academic economist, Paulo Renato de Souza, with experience as the former rector one of the country's major universities, and years of working practice at the Inter American Development Bank.

The most impressive feature of the mandate was the expansion of education at all levels (Figure 5). By 2001, one in three Brazilians were enrolled in some kind of education institution, a remarkable feature for any country. It is difficult to attribute this growth to actions of the federal government alone, since first and secondary level schools are the responsibility of state and local governments. The federal government was very pleased, however, to announce that Brazil has finally reached universal access to basic education in the year 2000.

Figure 5 - Expansion of education enrollment, 1993-2001

Education enrollment, 1993-2001			
	1993	2001	change
Regular programs	35,405,670	50,783,277	143.4%
nursery		1,301,680	
preschool	4,390,334	6,245,791	142.3%
first grade (1-8)	26,034,748	31,880,340	122.5%
second grade (9-11)	3,617,049	7,623,241	210.8%
higher education	1,286,469	3,462,832	269.2%
graduate education	77,070	269,393	349.5%
non-regular programs	872,800	2,985,203	342.0%
adult literacy	120,029	527,697	439.6%
prep first grade	359,922	1,096,881	304.8%
prep grade	150,061	825,749	550.3%
prep higher education	242,788	534,876	220.3%

Source: PNAD 1993 and PNAD 2001

Not all this expansion, however, was healthy; in fact, there are reasons to say that Brazil is having a problem of education inflation (Oliveira 2003). According to Figure 5, taken from the household sample, there were about 32 million students in the first grade (35 million according to the education census produced by the Ministry of Education¹⁰), compared with the population cohort of 26 million, for children between 7 and 14 years of age. There were therefore 6 to 9 million more students in basic education than it should, an evidence of enormous inefficiency and waste. To correct this problem, many states, with the support of the federal government,

¹⁰ The large difference between the two sources may be due to the fact that the school census is taken early in the year, March, and the household survey, in September; by then, many students may have already dropped out, to start again next year, or never to return.

introduced social promotion programs, to move the students quicker through the school ranks. The pedagogical impact of this policy, however, is questionable, particularly because it was not accompanied with appropriate compensation and support work.¹¹ Many students go through school for years without learning the basic contents of reading and writing, and that the quality of basic education in Brazil has not improved, and perhaps deteriorated, in recent years (Bomeny 2002; INEP 2002; 2003).

In secondary education, which doubled its size in the period, about half the students are above the appropriate age cohort (15 to 17), bringing the net coverage to about 30%. Most of these students attend evening classes in public institutions, and their academic achievement is very deficient. In higher education, expansion took place mostly by allowing private higher education, which account already for about one third of the total enrollment, to expand almost unhindered, catering to students coming from lower social backgrounds. The system is extremely unequal and inefficient. The government retreated from an attempt to reform the public sector by making the universities more autonomous and more accountable for their results, and had to confront protracted strikes of teachers and employees for higher salaries and against supposed threats of “privatization” (Schwartzman 2002)

The most important achievements in education of the period were the institution of a compensation fund for education expenditures of states and municipalities, and the development of a whole series of education assessment instruments, carried on by the Institute for Education Research, INEP, an agency of the Ministry of Education. The compensation fund, known by the acronym FUNDEF, redistribute money among state and municipal administrations according to the number of students they have in the schools they manage, making sure that no school spends less per student and per teacher than a national minimum standard. The money comes from the constitutional requirement that each state and municipality spends 25% of its tax revenues on education. INEP created an evaluation systems for basic, secondary and higher education, and regular systems of education statistics at all levels. Other initiatives from the period are worth mentioning: programs to transfer resources to school PTA throughout the country, bypassing local bureaucracies and administration; rationalization in the provision of school books and school lunches; and several changes in the education legislation and curricula, towards greater flexibility. The new education legislation, passed in 1996 (Ribeiro 1997), was an important step in the direction of third-generation reforms, by introducing the

¹¹ See, for an American discussion, (Department of Education 1999)

principle of flexibility and pluralism at all levels; its implementation, however, has been slow and not very consistent.

It follows from this overview that the priority in education are second and third-generation reforms, to improve the equity in the use of public resources, and to improve its quality. Brazil spends already about 5% of GNP in education, a very high level in international terms, with very serious distortions, and poor results. The campaign program of PT, however, argued that expenditures should increase to 7%, with no mention of changing priorities and using the resources more efficiently (Partido dos Trabalhadores 2002). The new Minister of Education (Cristovam Buarque, also an economist and former rector of the University of Brasilia, but with a political career), in line with the “zero hunger” program, announced at his main priority a set of first-generation policies: the eradication of illiteracy, through mobilization campaigns; the expansion of “bolsa escola”, a subsidy to poor families to keep their children in school; more money for federal universities; a new legislation granting them full political autonomy, with no mention of accountability; new admission procedures for higher education; and a vague promise of establishing an “ideal school” for basic education. In higher education, the Ministry has supported admission quotas for students coming from public schools, and, more ambiguously, to racial quotas as well.

“Eradication of illiteracy” is clearly a wrong priority, since most illiterates are older people in rural areas, and not likely to benefit from mobilization campaigns in any significant scale; the real problems are functional illiteracy and compensatory education for youngsters who have dropped out of school, and could still be brought back. “Bolsa escola” has been heralded as a major policy to stimulate the education of the poor, but its pedagogical effects are questionable, given the high level of school enrollment that already exists, on one hand, and the bad quality of the education received by the poorest segments, on the other. The desire to increase in expenditures, promised in the campaign, goes against the federal governments’ effort to cut expenditures, and also against the financial limitations of state and municipal governments, who already commit 25% of their resources to education, and face serious financial problems of their own.

Education could always benefit from more resources, but the priority for education reform in Brazil is hardly to throw more (and non-existing) money into bad schools. The low quality of Brazilian basic education is related, among other things, to mistaken pedagogical practices (Oliveira 2002); to the way public education institutions are organized, as gigantic bureaucracies, with no space for local leadership

and commitment to education goals (Oliveira and Schwartzman 2002); and to the absence of reliable assessment procedures at school level, coupled with effective procedures to identify problems and to deal with them. In higher education, the main problems are disproportionate subsidies to middle and high income groups, the lack of accountability and academic leadership in public institutions, a proper policy to deal with differentiation, proper regulatory institutions for the private sector, and a functioning system of student loans. These ideas have been discussed for several years, and some state and local governments have experimented with different ways of improving basic education. It would be role of the Ministry of Education to stimulate good quality research to assess these education reform, bringing in the contribution of international experiences, and to promote the second and third-generations reforms that are required.

Health

In the past, public health was divided into two segments, one for prevention and sanitary campaigns, under the responsibility of the corresponding Ministry, and another for treatment and medical care, to be provided as part of the benefits of social security. Each of the old institutes had their own hospitals and medical services, which were unified into a single system in 1966. Besides the hospitals and health care units maintained by the social security administration, state governments, municipalities and charity organization created their own institutions and services, and school hospitals in state and federal universities became important provider of public health attention. At the same time, private health services also grew, selling services to private individuals, to private health insurance plans and, in a growing proportion, to the social security administration. The 1988 Constitution established the principle that health was “a right of the citizens and a responsibility of the state”, meaning that everybody in the country was entitled to free medical care, with no limitations. To finance this, according to one analyst, “the 1988 federal constitution and related legislation established that at least 30% of the social security budget (a block of payroll taxes used to finance health, pensions and social assistance) should be assigned to health care; a plan that was never implemented. During the first half of the 1990’s, public health expenditures never reached these figures due to instability and lack of resources. Since the second half of the 1990s, the increase in health federal expenditures was financed by the creation of new taxes, such as the Provisional Contribution over Financial Transactions (CPMF)”. (Medici 2002).

Public health in Brazil is supposed to be coordinated through a unified mechanism called “SUS” (Sistema Unificado de Saúde), also established by the 1988

Constitution. According to Medici, this was the creation of a political and ideological movement developed in previous years. This reform was in the opposite direction of that of other Latin American countries, which are based on the increase of the regulatory power of central authorities, combined with decentralization of services to local and private providers, the diversification of sources of financing (public, private and philanthropic), and focalization of public services to the poorest segments of society. Brazil, on the contrary, established a system which was supposed to be totally free and universal, with services provided by public institutions and, if needed, private ones. The system is decentralized, in the sense that local communities would have the responsibility to bring together and administer the provision of all local health services, with money provided by the three levels of government (Federal, state and municipal).

There are several problems with such a system. The first is the rising costs of health care, particularly with the combination of free, unlimited demand and private providers. To solve this, the government tries to limit the amounts paid by each medical procedure, creating permanent attrition with health providers; at the same time, there are no health management systems to establish limits and priorities for the provision of these services. Secondly, access and quality of the care received depends on the patient's proximity to health providers. Thus, persons living in the city of São Paulo can receive medical treatment which would not exist in the interior of Minas Gerais or Pernambuco; persons living in big cities, where the services providing health care are always overwhelmed by demand, look for private health insurance schemes. The estimation, for 1998, was that 10% of the Brazilian population did not receive any kind of medical care; about 38.7 million were covered by private medical insurance and services (including private plans paid by the government to civil servants); and the remaining 100 million or so had to rely on SUS services, when available. The 1998 household survey on health services (IBGE 2000) showed, among other things, that

- About a third of the Brazilian population do not have regular access to a health care service;
- The entrance door to health care depends on the person's age, sex, and, most of all, income level. The young, poor and male tend to go to public health centers or posts; older persons, women and richer persons go to private doctors.
- Access to medical and dentistry care is strongly related to income and residence in urban areas;

- About a fifth of the population never attended a dentist; in the rural area, a third never did;
- Five million people declared not being able to obtain medical care for lack of money.

At first, the Cardoso government had to deal with the problem of raising money to pay for the private providers, and to keep non-profit and university hospitals from closing for lack of resources. After the introduction of the contribution of financial transactions, the financial problem was postponed, allowing the Minister of Education to invest in the expansion of health services and other health services, of high political visibility. There were also important initiatives in prevention, through the creation of local, community-based health workers, to provide primary care to the population; public health campaigns against major epidemics, such as dengue, malaria, flu and infant palsy; and the provision of free medication to patients in special need, particularly for the HIV positive and AIDS sufferers. The health authorities promoted also large public health campaigns for AIDS prevention, against smoking, and others.

There are no signs that the Lula government intends to introduce second and third-generation changes in public health, on the line adopted by other countries in the region. Two events marked the first actions of his government in this area. In Rio de Janeiro, hundreds of persons hired temporarily by the Cardoso health ministry to help in the campaign against dengue had been dismissed, and were pressing to be admitted as permanent civil servants. The issue became very visible because the Minister of Health had been José Serra, the presidential candidate from the Cardoso government. This way of entering the civil service was an old clientelistic practice in the Brazilian public service, which had been curtailed with the requirement that no one could be hired without going through a competitive examination. In this case, however, the new government decided to overrule this procedure, paying them for the period when they did not work. The other event was a series of deaths in public hospitals in Ceará, related to the absence of beds in intensive care units. The solution would be to put the patients in private hospitals, but the hospitals resisted, claiming that the government was not paying them enough. The government intervened by negotiating with the hospital to respond to the crisis, while threatening to intervene in the private institutions, and promising to build more intensive care units. In both cases, the only policies on the horizon seem to be the expansion of the public health sector, and the provision of free and universal services, while the resources last.

Violence and human rights

Urban violence has been growing steadily in Brazil's major cities, and is one of the leading causes of concern of the urban population. There are no reliable national statistics on criminality and victimization, but all the indications are that it affects mostly the poorest sectors, and places the middle and upper segments in a constant state of fear. Urban violence is associated to school failure and the lack of working opportunities for the poor, and particularly the black, and is fuelled by the expansion of drug trafficking, access to firearms and police corruption (Zaluar and Isidoro 1995).

To deal with urban violence, it is necessary to work preventively, to keep youngsters in school and provide them with meaningful work; to make the legal system more effective; and to make the police forces more effective and less corrupt. Like in the United States, crime prevention and prosecution in Brazil is the responsibility of State governments, except for a few issues and activities, including border control, drugs and arms traffic, which fall under the oversight of the Ministry of Justice, which administers its own federal police. For a long time, there was in Brazil an ideological debate about whether the accent on crime prevention should be placed on prevention, or on repression (Paixão 1987). In the meantime, criminal organizations flourished in the cities, controlling, illegal gambling, the management of the "Schools of Samba" and soccer teams, and helping to elect local politicians.

Unequipped and ill-paid, state polices would often perform their tasks only when paid on the side by private persons and groups. Policemen are known to blackmail criminals to share on their bounties (a widespread practice known as "mineira"), when not working side-by-side with them. Even when not corrupt, police behavior tends to be violent, resorting to torture and shooting sprees; the relationships between policemen and dwellers of favelas and other poor communities are usually very tense, when not outright violent. According to one analyst,

Although torture was outlawed both in the 1988 Constitution and in a 1997 alteration to the penal code, in 2001 the Brazilian government reluctantly accepted the conclusions of a report by the United Nations Special Rapporteur on Torture that characterised torture as a 'widespread and systematic' police practice. Despite hundreds of documented cases, only a handful of police officers have been successfully prosecuted since 1997. Similarly, levels of lethal force by police have tended to remain constant, despite some fluctuations and reform attempts. Fatal police shootings of civilians add around ten per cent to the total number of homicides in São Paulo and Rio de Janeiro states. There is an enormous opportunity cost involved in

failing to control police behaviour. The autonomy granted to police, which varies greatly from country to country, inevitably leads them to test the boundaries of liberal guarantees and rights. When the police are left to their own devices, the logic of police activity parts company from the intention of the policy makers and the letter of the law. The Brazilian public meanwhile distrust and fear the guardians of the law and have resorted to taking the law into their own hands, or take expensive measures to insulate themselves from rising crime and violence in the surrounding society. Police efforts are often expended more on the control of those socio-economic groups regarded as the pathologically criminal classes than on crime prevention or crime solving. Significant sectors of the police are actively involved in extortion and organized crime, which has increased dramatically over the last decade (Macaulay 2003).¹²

This is probably the social area in which third-generation reforms are most urgent. Improvements in education and employment opportunities are long-term policies, which do not respond to the urgency of the problems. To give more money to equip the police, raise salaries and build better and stronger prisons can be helpful, but will not work if the police remains without external oversight, in permanent confrontation with the population in the poorest city areas, and if the legal system is not changed. One key legal change which is required is to eliminate the constitutional norms requiring two separate police institutions in each state, one civilian, investigative, and another military, for street prevention and patrolling. It is necessary to change the links between the police and the judiciary, placing the investigative police under the control of the judiciary; to increase the mechanisms for police oversight; and to change the legal code, reducing incarceration for less serious violations, increasing the speed of legal procedures, and dealing with the legal impunity of minors.

Each of these items is controversial, and several legal reforms have been introduced in recent years, without, however, changing the overall picture. The Cardoso government was slow to start to deal with these problems, and not very effective (Godoy 2002). In 1996, the government announced a National Program of Human Rights, following the recommendations of the International Conference of Human Rights of Vienna, 1993. Four years later, only 13 of the 227 goals defined in that program had been achieved (Godoy 2002 p. 424). In 2000 a new program was introduced, a National Plan for Public Security, followed by another in 2001, after several strikes of military police forces in different States. Here again, not much was

¹² References include (Mingardi 1992; Cano 1997; Caldeira 2000; Ouvidoria da Policia do Estado de São Paulo 2000; United Nations 2001; U.S Department of State 2002).

achieved. Part of the problem was the limited powers of the Federal government to act in an area under the responsibility of the states. Part of the difficulty was that the Ministry of Justice, which had to deal with these issues, was treated mostly as political agency, changing hands according to political events, and having to deal with a host of questions unrelated to the area of crime, human rights and urban violence. There were nine Ministers of Justice during the eight year's mandate, not allowing for any consistent, long term projects to develop and take root.

The Lula government is committed to improving this situation, but has still to make its imprint. There is now a National Secretary for Public Safety, Luis Eduardo Soares, an academic who had been involved in a failed attempt to fight corruption and reform the police in Rio de Janeiro (Soares 2000); and a detailed blueprint of institutional reforms to be implemented (Biscaia, Mariano, Soares, and Aguiar 2002). The Minister of Justice is not a politician, but a well-known and respected criminal lawyer coming from the private sector. The government is placing resources in the area, and signing agreements with State governments to develop unified and integrated programs for crime prevention and social security, bringing together state and federal resources and institutions. So far, no new legislation has been proposed, because of other priorities (changes in the social security and tax laws). But, if this orientation remains, the Lula government is likely to have a stronger impact on the issues of crime and violence than the previous government did.

Conclusion: the worker's government and the social question: something new, or more of the same?

This overview of Lula's inheritance and initiatives in the social sphere is very brief and does not include several important issues, including land reform, and employment. Employment was a central issue in the electoral campaign, but, at this writing, the only initiative of Lula's government is the announcement of a program to stimulate private firms to provide first employment opportunities for the young, through public subsidies. Agrarian reform, on the contrary, was not an important issue during the campaign, perhaps because of the decision of the leaders of the Landless Workers Movement (MST) to keep a low profile during that period. Perhaps as a reward, the Minister designated to handle the issues of Agrarian reform is sympathetic to the movement, which was able to appoint several of its militants to key government positions in the area. After a few months of truce, the movement started again its confrontation policies of invading rural properties, occupying public buildings and closing roads. So far, the government has tried to avoid confrontation,

stating that these actions were “natural” and “understandable”, but it is not clear how far it will go in trying to put a limit on these actions, or to yield to them.

With all its limitations, this overview allows for some preliminary conclusions. The main strength of the Lula government in the social sphere is his, and his party’s commitment to the needs and conditions of the poor. Part of this commitment is an expression of the party’s historical links with trade unions; the other part comes from the association with militant segments of the Catholic Church, which have been very active in developing all kinds of grassroots organizations and movements, and brings to the fight against poverty and hunger a strong and powerful moral tone (Bartolomé Ruiz 1997). The because of this commitment, and the authority given to the government by public opinion, the current is better positioned to implement its social policies than the previous one.

On the other hand, most of the social reforms propounded by the PT party and their supporters have been first-generation reforms, without any concern for budgetary limitations or redistribution needs. Lula and his closest advisers have been quick to recognize the need for second-generation reforms, as for social security, and, in several of his speeches, he has insisted on the need to think on the country as a whole, and not just on the narrow interests of organized unions and political movements. The government believes on its power to negotiate with different interest groups and persuade them to work together for the common good, and, since it does not have a strong popular opposition to deal with, this belief is well founded.

The prospects for third-generation reforms are more uncertain. Nothing was said so far about the needs for administrative reform, and a vague utterance of the President about the need to open the “black box” of the Judiciary system was received with strong criticism, and not followed by any specific proposal. In some areas, like in crime and violence, the government has a blueprint to follow; in others, like in education, agrarian reform, and health, the only voices that have appeared so far are those of each sector’s organized interest groups. The difficulties facing the “zero hunger” program is a demonstration that good intentions and commitment are not enough to implement sound and effective policies.

Ultimately the key issue will be what happens to the economy. If the economy goes well, there will be more room for first-generation policies, and second and third generation reforms can be postponed. Without these reforms, the overall social conditions can continue to improve slowly, as it has done in the last several decades. Brazil will continue to be a country with high levels of inequity, wasting and spending a large proportion of its revenues to the benefit of middle and higher income sectors.

If the economic conditions do not improve, the pressure to implement second-generation reforms will increase, at a growing political cost, leaving limited room for more advanced and profound changes. In either case, it looks as though the Lula government will continue to muddle through the social and political agenda, trying to implement the most urgent reforms, with a keen eye on the pressure groups within its ranks, on the public opinion, and on the national elections that take place every two years – not different, in other words, than any other political group trying to implement their ideas and survive in a democratic and open society.

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